



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

<b>Bill #</b>	HB0100	<b>Title:</b>	Improve management of DOR collection responsibilities
<b>Primary Sponsor:</b>	Bergren, B.	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Include in HB 2    | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b>Expenditures:</b>				
General Fund	\$806,170	\$794,697	\$794,999	\$795,304
<b>Revenue:</b>				
General Fund	\$1,425,670	\$1,425,670	\$1,425,670	\$1,425,670
<b>Net Impact-General Fund Balance</b>	<u>\$619,500</u>	<u>\$630,973</u>	<u>\$630,671</u>	<u>\$630,366</u>

### Description of Fiscal Impact:

This bill would allow the Department of Revenue (DOR) to contract with out-of-state debt collectors and be more efficient by switching to electronic lien filing. There would be costs for hiring 3.0 additional FTEs, additional contracted services, and additional administrative costs. Net general fund collections are projected to increase.

### FISCAL ANALYSIS

#### Assumptions:

#### Revenues

1. This bill will improve DOR's collection capabilities for out-of-state delinquent tax liabilities by allowing DOR to hire out-of-state collection professionals when it determines the amount collected would exceed the cost of collection. Currently there are 2,103 out-of-state taxpayers owing a total of \$10,025,593 in delinquent taxes. There are 292 taxpayers who owe more than \$5,000 whose total liability is \$8,367,348. Based on past experience DOR believes it can collect at least 15%, or \$1,255,102 (\$8,367,348 x .15), of that amount annually. In addition, the provision should enhance voluntary compliance with the laws over time, increasing general fund revenues as a result.
2. This bill will provide DOR the ability to file wage and fund levies electronically with lending institutions and businesses that have the capability to receive these documents electronically. Electronic filing will allow DOR to file approximately 10% more wage and fund levies annually. DOR successfully collects

approximately 70% of its levies. Total levy collections in FY 2006 were \$2,436,686. DOR estimates the increase in general fund revenues would be \$170,568 (10% x 70% x \$2,436,686).

3. Section one clarifies definitions of “trust tax” to mean basic and enhanced 9-1-1 fees (15-36-part 2, MCA), the retail telecommunications excise tax (15-53, MCA), the lodging facility use tax (15-15-65, MCA), the sales and use taxes on accommodations, campgrounds, and rental vehicles (15-68, MCA), specialized telecommunications equipment and services assessment (53-19-part 13, MCA) and other terms. Section two makes person or persons in a firm personally responsible for the payment of trust taxes and associated penalties and interest. Section three specifies that bankruptcy of a business does not relieve those persons made personally responsible for payments by section two of their responsibility to pay trust taxes. Taken together, these three sections will improve the collection of delinquent taxes in future tax years. However, these amounts are difficult to predict; therefore, DOR did not estimate any increased revenues for FY 2008 through FY 2011. The table below summarizes the estimated revenue increases.

<b><u>RECAP OF REVENUE INCREASES</u></b>	<b><u>FY2008</u></b>	<b><u>FY2009</u></b>	<b><u>FY2010</u></b>	<b><u>FY2011</u></b>
Electronic Filing Of Wage And Fund Levies	170,568	170,568	170,568	170,568
Out-of-State Debt Collections	1,255,102	1,255,102	1,255,102	1,255,102
<u>Make Owners and Officers Personally Liable for Trust Taxes</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Additional General Fund Revenues</b>	<b>1,425,670</b>	<b>1,425,670</b>	<b>1,425,670</b>	<b>1,425,670</b>

## Expenses

4. Section four of this bill allows DOR to contract with out-of-state professionals to assist in collection of out-of-state debts. Based on past experience DOR estimates the expenses for this to be 50% of total out-of-state revenues, or \$627,551 (\$1,255,102 x 50%). The costs will be statutorily appropriated from the general fund.
5. DOR would need 3.00 FTE at a total cost (personal services, operating expenses and equipment) of \$186,827 in FY 2008, \$175,354 in FY 2009, \$175,656 in FY 2010, and \$175,961 in FY 2011. The proposed additional FTE include an attorney, a paralegal, and a collections specialist. These FTE will be primarily for out-of-state collections.
6. DOR will be able to file wage and fund levies electronically with lending institutions and businesses. Under current law, DOR is required to file wage and fund levies by certified mail at \$3.42 per account (\$0.63 in postage for a 2 oz. single piece first-class letter plus \$2.40 certification fee plus \$0.39 for prepaid postage return envelope). There are about 400 levy filings per month (100 wage levies and 300 fund levies), or about 4,800 levy filings per year. If 50% of these filings could be done electronically, postage savings would be about \$8,208 per year (\$3.42 x 4,800 x 50%). A summary of the expenses is provided in the table below.

<b><u>RECAP OF EXPENSES</u></b>	<b><u>FY2008</u></b>	<b><u>FY2009</u></b>	<b><u>FY2010</u></b>	<b><u>FY2011</u></b>
Postage savings	(\$8,208)	(\$8,208)	(\$8,208)	(\$8,208)
Expense for out-of-state professional collectors	627,551	627,551	627,551	627,551
Expenses for three additional FTEs:				
Personal Services	160,901	161,059	161,217	161,375
Operating Expenses	14,151	14,295	14,439	14,586
Equipment	<u>11,775</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenses for additional FTEs	<u>186,827</u>	<u>175,354</u>	<u>175,656</u>	<u>175,961</u>
<b>Total Additional Expenses</b>	<b>\$806,170</b>	<b>\$794,697</b>	<b>\$794,999</b>	<b>\$795,304</b>

7. Sections one through three are effective on passage and approval. The remaining sections are effective July 1, 2007.

	<b><u>FY 2008 Difference</u></b>	<b><u>FY 2009 Difference</u></b>	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b>FTE</b>	3.00	3.00	3.00	3.00
<b><u>Expenditures:</u></b>				
Personal Services	\$160,901	\$161,059	\$161,217	\$161,375
Operating Expenses	\$633,494	\$633,638	\$633,782	\$633,929
Equipment	\$11,775	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b><u>\$806,170</u></b>	<b><u>\$794,697</u></b>	<b><u>\$794,999</u></b>	<b><u>\$795,304</u></b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$806,170	\$794,697	\$794,999	\$795,304
<b>TOTAL Funding of Exp.</b>	<b><u>\$806,170</u></b>	<b><u>\$794,697</u></b>	<b><u>\$794,999</u></b>	<b><u>\$795,304</u></b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$1,425,670	\$1,425,670	\$1,425,670	\$1,425,670
<b>TOTAL Revenues</b>	<b><u>\$1,425,670</u></b>	<b><u>\$1,425,670</u></b>	<b><u>\$1,425,670</u></b>	<b><u>\$1,425,670</u></b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	\$619,500	\$630,973	\$630,671	\$630,366

**Effect on County or Other Local Revenues or Expenditures:**

- Section five of this bill amends 15-1-706, MCA, providing sheriffs the authority to charge and collect a fee to cover costs incurred when collecting taxes based on a warrant from DOR.

**Technical Notes:**

- It is unclear whether the statutory appropriation found in Section 4 meet the guidelines for statutory appropriations found in 17-1-508, MCA.

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Sponsor's Initials

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Date

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Budget Director's Initials

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Date